



**Director of
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POLAND: Soviet Criticism Mounts

Moscow is dissatisfied with the course being taken by the second session of Solidarity's congress and the absence of counter-measures by Warsaw. [redacted]

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TASS yesterday tersely reported a statement on Tuesday by the Polish Politburo that criticized Solidarity but expressed "hope" that union moderates would prevail. TASS suggested that this hope is inconsistent with the draft program under consideration at the congress, which it called a political "manifesto" that seeks to end "socialist ownership." [redacted]

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TASS ignored Solidarity's attempt in union documents to placate Moscow by reaffirming Poland's postwar alliances. Moscow, citing a gibe at the Polish regime in a Czechoslovak article, also stated that counterrevolution cannot be smashed with "appeals." [redacted]

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The Solidarity congress, meanwhile, has settled down to a lengthy discussion of its draft program, a process that could last until the weekend. The delegates then are slated to elect a new union leadership. Andrzej Gwiazda--a leading militant who currently is a deputy chairman--reportedly will run against the current head of the union, Lech Walesa, for the office of union chairman but has little chance of drawing significant support.

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Debt Renegotiations

Negotiations to reschedule Poland's unguaranteed debt to private banks have broken down following the Poles' insistence on rescheduling all principal payments and possibly interest payments as well. Before meetings this

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week in Vienna, Poland had seemed close to accepting the banks' terms of rescheduling 95 percent of principal and no interest payments. [REDACTED]

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WESTERN EUROPE - USSR: Gas Pipeline Developments

The conclusion of agreements for the supply of turbines and compressors for the gas pipeline that is to connect Siberia with Western Europe leaves agreement on gas prices as the last major hurdle in the negotiations.

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In agreements signed or due to be signed this week the Soviets placed orders for the turbines and compressors with companies in Italy, West Germany, France, and Great Britain. Several companies also were selected to serve as project managers for their respective parts of the pipeline and will be responsible for subcontracting for auxiliary equipment, services, and construction on the compressor stations using their equipment.

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West German firms reportedly were disappointed that they received a much smaller share of the orders than expected because Italian and French firms offered cheaper financing. In a related development Japan's export-import bank has signed a protocol to finance equipment for use in and around the compressor stations.

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The West European turbines and compressors reportedly will include US components or licensed technology. Should there be an embargo against their export, the West European firms probably can develop equivalent technology within two years. Because the pipeline itself is not expected to be in place before 1985, Soviet equipment needs probably could be met independent of US technology with only a slight delay.

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There apparently has been no progress on gas prices between the Soviets and West European distributors. Soviet willingness to sign equipment contracts before a gas price is agreed upon, however, probably indicates that they are now prepared to make concessions on the price in order to complete the negotiations. Talks between Ruhrgas and Soviet gas export authorities are set to resume on 8 October.

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Previous West European concessions on low-interest credit for equipment purchases, combined with the current oil glut and the decline in projected West European demand for gas, almost ensures that the Soviets will meet West European price terms. Ruhrgas executives state that they will withdraw if they cannot negotiate a satisfactory price.

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EGYPT: Restrictions on Students

Egyptian authorities are taking a tough line toward fundamentalist Islamic activity among university students in an effort to prevent unrest when the academic year begins early this month. A series of disciplinary measures have been ordered to control and monitor student activities, including a ban on traditional Islamic garb on campus. The government is concerned that the student Islamic societies--which have been the dominant activist force on campuses in recent years--will protest President Sadat's domestic crackdown in which some 150 leaders of the societies were arrested. Sadat has publicly threatened more widespread arrests of society members if trouble develops.

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ZAIRE: Possible Loss of IMF Funds

Zaire may at least temporarily lose access to its three-year, \$1.1 billion loan from the IMF, which would have far-reaching repercussions for the economy. Although President Mobutu is coping with his budget deficit at least for the time being with the help of an advance payment of \$30 million from Zaire-Gulf, inflation is running far in excess of the rate anticipated by the IMF. Diminished foreign exchange receipts have forced Zaire to delay paying over \$100 million in foreign debts due by today. Failure to meet IMF criteria in these areas could jeopardize the \$87 million that Kinshasa is scheduled to receive this month as the second installment of its loan from the IMF. Loss of Fund support, even for a short period, could set the stage for a major series of defaults and ruin Mobutu's plans for economic recovery.

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